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Shaping our World for a Better Tomorrow: Sustainable Investing, ESG, and Industry Insight

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SIT Study Abroad

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SIT: Banking, Finance, & Social Responsibility

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Abstract

Sustainable investing is a relatively new field in the world of finance and banking. Even though there is tremendous growth in sustainable investments over the past few years, it is still a niche market that requires more transparency, standards, and incentives. Switzerland has become one of the leading countries for sustainable finance, exhibiting a growth in sustainable investments under management. Despite the vast amount of research and development on sustainable investing, there is still much confusion and negative perception in the professional banking world about the topic. This study is designed to fill the gap between the academic rhetoric behind sustainable investing and its current state in the professional field, while also analyzing different tools and strategies of sustainable finance. The paper also explores how the industry can make the shift from traditional to sustainable investing with recommendations relating to ESG integration. The research activity indicates that even with a substantial growth in the field of sustainable finance, there is a long road ahead of the banking industry and global financial market to create environmental and social positives while also generating profit.

Focus Project Questions

The interactive research and learning activity explores the following questions: What is sustainable investing and its strategies for performance? What are the main arguments for sustainable investing? What are the biggest challenges private and institutional investors face when trying to integrate sustainable approaches into their investment strategy? What is the reality of sustainable investment in private wealth management? How do perceptions of sustainable

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investments differ from professionals in large and small banks? How can the financial sector make the shift from traditional to sustainable investing?

Objectives

The objectives of this paper are to shed light on sustainable investing and how it is being integrated into the financial sector. I will highlight what are the most common approaches to sustainable investing and discuss which are the most relevant for private and institutional investors. I will explore the differences of ESG perception and integration within large and small banks, as well as the most common challenges the banking industry faces in relation to sustainable investing. With this research activity, I would like to promote sustainable investing as a point of opportunity for private and institutional investors. The main point of this paper is to demonstrate how sustainable investing can give both a financial and social return while providing the banking industry with a new, competitive edge. Recommendations on how to make sustainable investing a mainstream process will also be provided.

Justification

The focus of this research is of great significance due to the fragility and interconnectedness of financial markets with the global economy. After the financial crisis of 2008-2009, it is essential that professionals in the banking industry have more exposure to sustainable investing in order to mitigate long-term risks and restore public trust in financial institutions. There is an inconsistency in the financial industry with short-term investment

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decisions and the best interest of future generations. Furthermore, with the increase in regulation and mandates, such as the Paris Agreement, companies and investors will need to implement more sustainable approaches into their line of business and investment strategies, respectively. Sustainable investment is not a trendy fad proposed by millennial investors, but a necessary discipline of finance that must be fully integrated into the financial system in order to reflect the real economy, tackle the issues of the world and serve the needs of society.

Context & Literature Review

Introduction to Sustainable Investing: Performance Strategies

Sustainable finance is a recent and growing field that is currently a topic of conversation among many financial institutions. This paper will specifically be examining sustainable investing in the context of institutional and private investors. Swiss Sustainable Finance (SSF) defines sustainable investing as an investment approach that actively integrates environmental, social and governance factors (ESG) into the selection and management of investments. There are a broad variety of sustainable investment approaches that can be used alone or combined in order to mitigate ESG risks, seek ESG opportunities and achieve long-term positive performance. The most predominant sustainable investment approaches include exclusions, best-in-class approach, ESG integration approach, the exercise of voting rights, shareholder engagement, sustainable thematic investments, and impact investing.

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Exclusions are one of the most common forms of sustainable investing since it is the easiest to integrate. Exclusions are the act of not investing in certain products, industries, activities or business practices. Examples of common exclusions are the violation of human rights, tobacco products, weapons such as cluster bombs, and animal testing. According to Horlacher and Koutsoukis (2017), the most important reason for exclusions is due to clear mandates that exclude a certain activity no matter the financial considerations. However, the second reason for exclusions originates from financial reasons due to the logic that if the industry or product is controversial and will face regulations or consumer boycotts, it will be expected to lose significant value. Due to this reasoning, it makes sense to divest sooner rather than later. Horlacher and Koutsoukis (2017) state that "in Switzerland, investment portfolios worth several hundred bullion CHF apply some sort of screens that go beyond the legally required exclusions…where the top three exclusions were human rights violations, labor rights violations, and corruption and bribery" (p. 38-39). It is important to note that with an exclusionary approach, investors must be careful of limiting their investment universe so that they can still handle market volatility and risks, which is where the best-in-class approach comes into play.

The best-in-class approach, also known as "positive screening", gives preference to companies that are either the best in their sector or best in the entire investment universe in regards to their ESG practices. There are also considerations for companies that show the best effort as well since the best-in-class approach is meant to encourage positive changes rather than excluding companies altogether. This slightly differs from the ESG integration approach,

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according to Wild (2017), as the ESG approach is the "explicit inclusion by asset managers of ESG risks and opportunities into traditional financial analysis and investment decisions" (p. 54). The ESG integration approach is the second largest sustainable investment strategy with over USD 10.3 trillion in assets under management (Wild, 2017). The best-in-class approach combined with the ESG integration approach, as well as exclusions, are a possible strategy for private wealth management to avoid potential ESG risks and actively take advantage of long-term ESG trends, while also not limiting their entire investment universe.

Exercising voting rights and shareholder engagement are also key strategies for sustainable investment. Kauffman (2017) states that "voting implies fostering good governance and social responsibility, thus enhancing a company's chance of long-term success" (p. 69). Voting is an efficient way of initiating a constructive conversation with the board of directors so that they are aware of the consensus on the company's current business practices and operations and how they can improve for the better. Shareholder engagement is done in order to enhance the way in which the company conducts their business with a stress on environmental and social issues while also actively seeking increase transparency, if necessary. Gäumann and Simsa note how "engagement helps increase enterprise value since ESG criteria also have an impact on value creation and allow such other factors as reputation risks to be controlled more effectively" (p. 77). Voting and engagement are solid ways to improve the governance of companies, also known as the G in ESG.

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Other investment approaches include sustainable thematic investments and impact investing. Sustainable thematic investments are often linked to the Sustainable Development Goals (SDGs), where investments are made, for example, in order to promote clean energy or reduce poverty. According to Buffle (2017), thematic sustainable investments are identified for their potential of "superior long-term growth" (p. 90). Impact investing is done in order to generate significant environmental and/or social impact coupled with financial return. Paetzold (2017) explains how "impact investors invest in funds, firms, or projects that would not have been realized if it were not for that particular capital being deployed" (p. 98). Sustainable thematic investing and impact investing are at the other end of the spectrum of sustainable investments since it has a greater focus on generating social and environmental returns for the greater good of the world. The spectrum is in order of total impact generated, with exclusions featuring the least impact and impact investing (or microfinance) having the largest measurable impact.

Among the entire spectrum of sustainable investments, from exclusions to impact investing, there is an avoidance of the negative impact associated with ESG risks, while also aligning the personal values of investors. From exclusions to sustainability-themed investments, there is a general baseline expectation of market-rate financial risk and return that is more or less in line with the benchmark that is being followed. From voting and engagement to impact investing, there is an active pursuit of positive impact. However, impact investing is usually below the market rate risk and return since its selection of investees is to solve a social or

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environmental problem. With impact investing there is less stress on the financial return and more on the social benefit. These forms of sustainable investments differ greatly from traditional investing because traditional investing has no consideration of ESG or the impact the investment has on society since its sole focus is on the financial return. Many people confuse impact investing with philanthropy, but this is not the case since with philanthropy there is no financial risk or return kept in mind; it is simply a form of charity. Figure 1highlights the sustainable investment approaches that have experienced the highest rates of growth rates from 2015 to 2016 (see Appendix). As a side note, norm-based screening, featuring a growth rate of 102% from one year to the next, is an investment approach that is implemented based on a minimum set of standards based off principles set by international organizations such as the UN Global Compact. Overall the rapid growth in sustainable assets under management shows that this is only the beginning of sustainable investing and the industry should expect to see a shift from traditional to sustainable investment approaches within the next couple of generations.

Arguments for Sustainable Investing

Private wealth management, specifically in Switzerland, is well positioned to capitalize off the rapid growth of sustainable investments. The three major themes that govern the majority of arguments in favor of sustainable investing center around client engagement, financial performance, and the Swiss market landscape (Döbeli & Hess, 2017). It is interesting to note that there has been a growing interest by the clients themselves, who are demanding that their advisors or portfolio managers allocate their assets in a more sustainable matter. When speaking

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with one of my colleagues at SYZ Asset Management, I asked him what brought about their ESG initiative and task force. He explained to me that it was because they needed to meet client demand or else the bank would lose these sustainability-oriented clients. Matching client demand will then strengthen the relationship between advisors and clients. This advantage comes with advisors being able to gain a better understanding of what their clientele value which is key in building trust and it also justifies the wealth management services and related fees since portfolio managers are actively seeking sustainable solutions for their clients (Döbeli & Hess, 2017).

Another argument in favor of sustainable investing includes engaging and maintaining the future generation of clients, while also shifting client focus towards long-term performance. Wealth managers must be able to offer sustainable investment solutions for the next generation of clients in order to generate future income and survive the volatility of financial markets. According to Döbeli and Hess, “a very prominent feature of younger family members tends to be an integrated mindset: seeking social and environmental returns in addition to market rate risk-adjusted returns and focusing on firms that provide solutions to sustainability challenges, rather than excluding laggards” (p. 12). This signifies that millennials investors would actively invest in companies with positive environmental or social impact, instead of companies that are contributing to the world’s greatest problems. It is also valuable to note that sustainable investments naturally invite clients who have a long-term mindset or investment horizon. This is how the bank can avoid large outflows since sustainable investments are generally “sticky”, especially in respect to environmental investments. When the wealth of high-net-worth

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individuals is secured in sustainable investments for long periods of time this creates positive impact over the long run rather than making investment decisions based on short-term reactions that fall in value over time.

Equally significant, companies that exemplify good ESG practices are usually well-managed, which further strengthens the case for sustainable investing. When companies are shown to incorporate sustainable practices into their business operations are keeping the long-term effect their business has on society. This is alarming since many companies who do pollute the environment do not bear any of the consequences. This is a clear sign of mismanagement. In fact, 93% of CEOs consider sustainability as an integral component in what will determine the future success of their company (Döbeli & Hess, 2017). Moreover, selecting sustainable investments well mitigate risks related to company or industry reputation. Döbeli and Hess explain how "significant costs are incurred for violations from dramatic fines and losses in market capitalization" (p. 16). This is especially true in the case of Volkswagen following their emissions scandal in 2016. All in all, the arguments in favor of sustainable investing are profound and in summary wealth managers can meet the demand for sustainable investments, get to know their client's values and passions, engage the younger family members of clients whom also have long-term investment horizons, and identify well-managed companies that, in turn, will avoid risks associated with unsustainable practices or lack of ESG.

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Challenges of Sustainable Investing

Even though there is a body or arguments in favor of sustainable investing, the fact that it is a relatively new and niche market comes with a few challenges. One of the issues with sustainable investing is that many investment professionals or relationship managers are not aware of what sustainable investment is or have no formal training in it. After conducting one of my interviews, it was interesting to note that it is common for older professionals within the bank to have little to no contact with sustainable investing. One of my research participants states that the majority of her clients do not request sustainable solutions or pay no mind to ESG (personal communication). This lack of demand from older clients does not push relationship managers and other investment professionals to educate themselves on the topic. Also, there is an issue of a lack of training programs for sustainable finance in general. The majority of universities do not offer degrees, programs, or even classes on sustainable finance. Since investment advisors feel that they are unable to speak about the issue due to lack of knowledge, they certainly will not introduce the topic as an investment strategy to their clients. The lack of conversation about sustainable investments is the source of this issue since the level of awareness is primarily low. The lack of education and conversation also stems from the fact that there is no single standard body of principles that incorporates the entire universe of sustainable finance. Although organizations like Swiss Sustainable Finance offer a breadth of resources and preliminary standards, there is a lack of reporting standards with sustainability in the global financial industry.

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A major issue with sustainable investing is its reliance on ESG as a performance metric. Although ESG is thoroughly reviewed by regulators and offers a degree of transparency behind a company's operations, it can also be suspect to manipulation. There is a problem of large companies self-reporting their own data and "greenwashing" their activities (personal communication). They do this by reporting less quantitative statistics in their sustainability reports and more qualitative policies or goals that they claim they will reach by a certain time frame. However, many companies do not provide progress reports on these goals so there is no way to be entirely sure that they will live up to their promises. Companies like this many receive a high ESG rating, but also have had many past and current controversies. Many of these companies are featured in ESG indexes, which creates issues for sustainability-oriented investors that are looking for "pure players" (personal communication). ESG may be a complex performance metric in order to analyze the sustainability and long-term performance of companies, but hopefully with the fast-growing sustainable finance industry will come with tighter standards and higher levels of transparency so that investment advisors can make their own convictions without any doubt.

Methods

I primarily began the internship search by looking at the list of members of the Swiss Sustainable Finance network. I noticed SYZ Group on the list and connected the fact that my mother works in the Miami office for the firm and has met some colleagues in the Geneva, headquarters office. I proceeded to contact the people she had met and expressed how I would

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like to complete my internship with the bank. I then was connected to HR and was offered an interview. After the initial meeting, I had a second interview with the head of the DPM, which gave me more insight into the department. Once the time came around that the internship was approaching, I was contacted by HR to arrive at 9 AM for my first day and have an introduction to the bank and meet everyone. I worked about 28 hours per week from April 3 to May 3, a period of five weeks. I had to assimilate into the culture of the bank, which required me to be on time, dress professionally, and practice my French. I was assigned a project my first week, which allowed me to work independently and ask for help when needed.

The way I went about conducting interviews was quite organic and helped me gain a lot of industry insight. I was able to interview with two professionals within the firm during lunch break, as well as one professional outside the firm, but still apart of the Swiss investment industry. I initially connected with the outside firm professional via LinkedIn and later met during lunch to conduct the interview. Throughout the meantime, I was conducting research using platforms such as Swiss Sustainable Finance and Savvy Investor for literature, data, and consensus on sustainable finance, in particular, ESG. Thankfully, the work I completed with the bank closely aligned with my research for the IRLA. Therefore, I also had been given many resources and readings from my colleagues at the bank as well.

Ethics

The banking culture in Switzerland is heavily surrounded by confidentiality. When beginning my internship with SYZ, I was given a contract that ordered me to respect the privacy

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of the bank and its clients. For these reasons, I do not go into detail about the types of clients and specific investments that are held. It is important for me to respect the bank's privacy since Swiss banking secrecy is a sensitive subject. Furthermore, when conducting interviews I received oral agreement that those I interviewed would be left anonymous and there would be no mention of what specific organization they work for throughout the paper. This was essential in gathering the proper industry insight that I needed to solidify my research. By signing the contract and respecting the anonymity of the research participants, I was able to build a relationship of trust.

Observation & Analysis of Internship Organization

SYZ Group is a small private bank, headquartered in Geneva, Switzerland. They are an independent bank that drives their performance and value through active management, risk control, and the selection of the very best managers. The bank states that it delivers "a unique approach based on delivering high-quality performance. Banque SYZ sets itself apart with a relentless focus on independence, consistency and investment expertise. Ensuring the satisfaction of its private clients and independent asset managers is its sole purpose" (SYZ). The firm exhibits many strengths which include talented portfolio managers, a focus on strong client relationships, and innovative approaches when finding investment solutions. The weaknesses with the firm rest in the fact that there is no team or individual working solely on integrating sustainability into the firm's investment decisions. Although the firm, specifically Asset Management, has made strides in promoting ESG practices and low carbon funds, it is still quite niche and underdeveloped. Nevertheless, there are a number of colleagues I have had the pleasure of connecting with that

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show great interest in the field and are willing to learn more as the sustainable investment industry develops.

The bank has a tremendous opportunity being apart of the Swiss investment industry and also a member of the Swiss Sustainable Finance network. They are able to have the first insights into the growing sustainable investment industry and be able to be ahead of the curve when it comes to implementing ESG into their practices. If SYZ is able to meet client demand for sustainable investments, they should have no problem retaining the children of their current clients, which will secure their future position in the banking industry and create a solid reputation as one of the few responsible investors in the financial sector. The threats associated with being a small bank is the risk of being acquired by a larger bank. If this were to occur, then they would compromise not only their autonomy and assets, but also their marketing, strategy, and culture that is so imminent to SYZ. Another threat is the fact that the financial industry is one of the most heavily regulated industries. When new regulations are passed, banks, like SYZ, are expected to adapt and implement the ruling into the system processes and business practices in a timely manner. This can end up being quite expensive and incur high costs at the bank and hurt efficiency.

In 2017, SYZ launched the first sustainable growth bonds which are issued by the World Bank. These bonds connect private investors to a pool of World Bank-financed projects that are linked to the Sustainable Development Goals (SDGs). Eric Syz, the CEO, states that “Innovation is one of our core values, and as a responsible investor we are pleased to contribute to new

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solutions creating performance through investments that incorporate environmental, social and governance considerations” (The World Bank). The product is specifically World Bank equity-linked bonds that have the best quality rating of AAA. This enables 100% positive and active participation in the Solactive SDG World MV index. Figure 2 shows a historical performance of the index, indicating positive growth over a substantial period of time (see Appendix). Please note that performance data is backtested prior to the launch of the product.

Observation & Analysis of Focus Project

Perception and Reality within the Banking Industry

There is a common misconception that links sustainable investing with poor performance. Many critics state that sustainable investment products are inferior and do not offer the same returns as traditional investments. When speaking with an investment professional, he stated that his goal is “just to make money at the end of the day” (personal communication). However, sustainable investing can actually lead to superior long-term growths. With the question of outperformance, it is similar to the investment selection process in general. Sustainable investing, like traditional investing, requires proper due diligence, access to reliable financial data, but also a reliable ESG provider that supplies transparent and developed findings on all asset classes. After my experience with the bank and independent research, it is clear to me that it is possible to impact the world in a positive way while still generating financial returns.

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Another misconception is that no data exists to determine the sustainable performance of companies or that it is difficult to quantify ESG factors. However, this is not the case because there is a solid network of ESG providers, such as MSCI, Sustainalytics, and Reuters. Also, if investors would rather take a sole green investment approach, focusing on environmental issues, there are climate providers like Trucost and South Pole Group that provide analysis and disclosure of GHG emissions and an estimated carbon footprint of companies. In many cases, companies that have lower environmental footprints have lower operational costs since they are enacting efficient policies to carry out business. This, in turn, will lead to long-term sustainable growth and outperformance of their peers who continue to pollute the planet. In reality, when integrating ESG in investment decisions, it is clear that you can generate similar, if not greater returns over time. So why hesitate with sustainable investing when you can receive positive or similar returns and make the world a better place simultaneously? Figure 3 compares RobecoSAM's S&P 500 ESG Factor Weighted and the S&P 500 Indexes (see Appendix). The graph shows that over a period of a little less than ten years, the S&P 500 ESG Factor Weighted Index historically outperforms the S&P 500, offering a higher gross dividend return. This is a valid comparison since they are both S&P indexes and looking at large-cap companies within the U.S. This data was self-compiled via Bloomberg, further proving that sustainable investment data can be generated.

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Conclusion

Consequently, sustainable investing is a rapidly growing niche within the investment industry, especially in Switzerland, that features many different styles and approaches. There is increasing demand from millennial investors, local and national governments, international organizations and the general public for a shift from traditional to sustainable investing. There is still a gap that needs to be filled to create this shift. For wealth and asset managers to successfully be able to integrate sustainable, ESG investment decisions into their daily work, there must be an increase in ESG education and training, ESG transparency, and the creation of a general, standardized system of reporting to streamline the process from beginning to end. Nevertheless, sustainability is a new field with high prospects for the future. It will be exciting to see its manifestation and integration in the financial industry in the next coming years since all current research and development is only at the inception. Having access to money and capital is not only a privilege but also a responsibility. It is the duty of financial professionals to utilize their investments for the betterment of the environment, society, and humankind. Money is power, thus, it is important to not abuse that power at the expense of the next generations.

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Interactive Research & Learning Activity: Journal Entries

03.04.2018

Today was the start date of the internship. I met with HR and she introduced me to the majority of the departments at the bank and showed me around the building. She then brought me to the team I will be working with—Discretionary Portfolio Management (DPM). I will also have exposure with the Advisory and Asset Management Team as well. My supervisor, Fabrice, gave me readings about ESG and trends in climate change investment. He also had me fill out their questionnaire given to clients when assessing their investment profiles. Later, we went through the entire investment process from beginning to end. I was assigned to prepare a presentation on the ESG scores and controversies of their core equities. In the afternoon, I began preparing research for that and using sustainable investment tools, such as the sustainability portfolio check found on Conser's website.

05.04.2018

During the morning, I was given company literature to help guide the structure and format of the presentation I will give on the ESG scores of the core equities. I was also given a reading by my supervisor about Block chain and how it can improve the investment process at banks. I did majority research during the day and also tried to find access to ESG scores, however, the majority of ESG databases are not free. In the afternoon, I sat down with Carole, a senior investment advisor who works with fund selection. She was the woman who was behind SYZ becoming the first bank in Switzerland to offer bonds issued by the World Bank, which are linked to the SDGs. She showed me some reliable companies that perform ESG scoring, such as Amundi and Vigeo Eiris She also provided me with her past presentations related to sustainable investing and access to literature about ESG and ethical banking through Savvy Investor. It was an extremely wide-opening today in seeing how impact investing is gaining momentum in the real investment world, especially at a private bank.

09.04.2018

Monday morning I caught up on readings and a bit of research related to the core equities ESG presentation I will be giving. I discovered the complexity behind ESG scoring in how there are many ESG scoring companies that have different metrics and methodology. Some are more rigorous than others and some are less reliable than others. I have had more exposure with the Bloomberg Terminal and also have been able to use it to see ESG metrics of all the public companies listed. It is interesting to note that some companies are more transparent than others when it comes to finding information pertaining to sustainability and CSR. However, I believe that Bloomberg's ESG rating is not a useful system, since Carole informed me that they do not verify if the information they receive from companies is accurate. After lunch, I had a meeting with the DPM team, which was just a quick update on what everyone on the team is doing and talking a bit about the transition to their new software systems. In the late afternoon, I was sent a spreadsheet by one of my colleagues done by Conser with an ESG consensus on hundreds of companies.

10.04.2018

Using the Conser spreadsheet I was given, I now have a bit more direction when preparing the ESG controversies presentation on the core equities. I spent the majority of the morning researching controversies and ESG factors that may be lagging across each of the core companies. Almost all of the core equities have a B rating, there is one A, and a few Cs. It was challenging to find reliable and transparent information on the companies, especially without any access to ESG data. I presented what I had done so far to two of my colleagues and they said it was a good starting point and that I should have it ready by next week. The downside of Conser is that it only provides an overall score of each company. It does not provide a breakdown of each individual ESG score and its subsectors. It also does not explain why a company has a specific rating. These are some of the issues I must sort out by next week, but I am just happy to be working on something that together will create a positive impact on future generations.

11.04.2018

There was an investment meeting led by the DPM team, which was held in the other Geneva office. It was a live conference call where the Milan, Lugano, and Zurich offices were all present. It was really insightful to see how a bank, such as SYZ, carries its business and informs its employees about trends in the market, portfolio performance, and new investment ideas. Carole gave a short presentation about where she believes the next century will take sector allocation and how it will change greatly as a response to climate change and impact investing. She believes there will be new sectors emerging such as smart materials and e-transportation, which is really exciting for millennial investors. Later in the morning, I just continued to do some research on sustainable investing and ethical banking in general.

12.04.2018

Today I spent the day with SYZ’s Asset Management (SAM) team, which has done some work on sustainable investing, in particular with a low carbon approach. During the morning, Guillaume, an analyst for Global Equities, sat down with me and explained the entire investment process. He described all the key players and processes within Asset Management. Later, we discussed ESG and he showed me some great resources to use for my paper from SSF. In the afternoon, I sat down with Julien who is on the Product Development Team. He showed me all the resources and literature that has helped him with his work on ESG within the firm. Mandates and client interest in ESG is what prompted SAM to begin developing a framework for sustainable investments. However, SAM and the rest of SYZ have a long way to go before sustainable investing is evident across the majority of funds.

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16.04.2018

Monday morning, I caught up with weekend news on the markets and readings that SAM had shared with me from the past week. After, I began working on the presentation I have been devoting the majority of my time to which is about the ESG score and controversy of DPM's core equities. I was struggling finding sources to use since the majority of ESG providers are not free and Conser only gives an overall rating with minimal or no explanation. I was able to develop a system for my due diligence which involved searching up the security on Yahoo Finance and going to the company's website searching for their sustainability report. Yahoo Finance has a new sustainability tab and shows how the company ranks overall in terms of ESG and provides a chart comparing the company to its industry peers. Yahoo Finance sources their sustainability data from Sustainalytics, which is one of the top ESG providers. I spent the majority of the day doing research and putting the information together on a PowerPoint.

17.04.2018

I continued to work on my presentation for the remainder of the morning. It is a bit time consuming to do effective research on a company's sustainability position. The majority of companies have either a sustainability report or a section on sustainability within their annual report. Some companies are more transparent than others. Those with the most transparency have a higher rating. The downside of using a company's own findings is the self-reporting bias that comes with that information. It is unclear to what extent the companies are being checked and verified for their sustainability accomplishments and progression of established goals. In the afternoon, I showed my presentation to two of my colleagues and they said I should be ready to present for tomorrow.

18.04.2018

This Wednesday there was another investment meeting. Yasmina from the Advisory team gave a presentation on a new investment idea on the company Amadeus. After, there was another presentation which encouraged investment in Russia. However, it seemed that some of the staff seemed skeptical the idea. Last, there was a presentation about carbon emissions and how SAM is has developed a low carbon investment approach. It was interesting since they explained and broke down what are the three scopes of carbon emissions and how many times it is the indirect carbon emissions that contribute to a company's full carbon footprint. After, I gave my presentation on the ESG Controversy on the core equities to the DPM Team. They gave me positive feedback and some instruction loose ends to tie up so that the presentation will be useful for them. After, I was invited by Yasmina to attend a Sustainable Finance lunch hosted by Amundi Asset Management. Even though the presentation was in French, the PowerPoint itself was in English. It was really inspiring to see a community of professionals interested in responsible investing.

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19.04.2018

For the majority of the morning, I worked editing my presentation with the feedback I got yesterday. Luc, Head of DPM, said that it would be useful to first give more background on sustainable investing, a breakdown of ESG, and a summary of each of the companies basically stating what is underline controversy with their business. The main resource I have been using is the Handbook on Sustainable Investments, written by SSF. It is extremely useful in explain what is sustainable investing and its current state especially in Switzerland. In the afternoon, I had the opportunity to sit down with Yasmina. She explained to me how the advisory process works and why some clients made decide they would rather have investment advisors, instead of fully delegating the management of their investments to someone. She says that she really enjoys her job, because she is able to come up with her own investment ideas, discuss them with the client, and later present it to everyone at the bank. It is a good balance between independent research and analysis and having clients to build trust and a relationship with. I really enjoyed speaking with Yasmina. It is important for me to have female mentors in finance and hearing their story.

23.04.2018

Monday morning I caught up with emails and readings on the Financial Times, as well as some literature from Swiss Sustainable Finance. In the afternoon, I continued working on my presentation, since I need to provide a more in-depth introduction of what ESG and sustainable investing actually is. I added some charts to show how ESG is linked to positive performance.

24.04.2018

I primarily worked on my presentation all day. I used readings from Swiss Sustainable Finance and a presentation from Amundi to formulate my framework so that my colleagues on the team can have a better grasp of ESG. I also added overall ESG scores for the major companies held by DPM and Advisory. It is interesting to see the variations in scoring by different ESG providers. In the afternoon, I sat down with Saïd and showed him my presentation thus far. He gave me some constructive feedback, and said I need to be able explain the incentive for him, as an investor, to invest sustainably.

26.04.2018

Today I had more engagement with Fabrice and Saïd. I sat down with Fabrice for a bit and he shared with me when he first head about sustainable finance, which was over ten years ago. He talked to me about the responsible investing initiatives within the firm and how back then it was harder to promote sustainable products since there was no one fully dedicated to the task. Later, I sat down with Saïd, and he showed me interesting U.S. sector data from Bloomberg. It was good to get a sense of what specific technical skills are important for portfolio managers.

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30.04.2018

During the morning, I continued to work on my presentation, while also gathering solid research on ESG (notably from Swiss Sustainable Finance). I also added the controversy levels of the main equities held by DPM, since it is also a point of interest in their investment decisions. In the afternoon, I began organizing all the sources I had obtained thus far in regards to sustainable investing and ESG. It is quite overwhelming to catch up on all the recent developments, since it is such a fast growing niche.

01.05.3018

I finished up the bulk of my presentation and added the controversies of all the main DPM holdings. So many companies have had past controversies, but it is important to remember that large public companies in general are far from perfect. One of the challenges for me is gathering data and information on equities in regards to sustainability since there is a low level of transparency behind these companies. However, I will do my best to work with what I have, but still proceed with caution when it comes to obtaining sources and analyzing data to reach a conclusion.

02.05.2018

Today, Saïd gave one final review of my presentation. He helped with formatting issues on PowerPoint and helped solidify the framework portion of my presentation. We worked together on Bloomberg to create a graph comparison of the S&P 500 against RobecoSAM's S&P500 Weighted ESG factor index. The graph shows that historically the ESG index slightly outperforms the S&P500. When looking at sustainable funds and indexes, it is important to look at the composition of the index or products to make sure that it is actually creating positive impact and performing financially well. The investment analysis of comparing non sustainable products with sustainable products is crucial, since some non sustainable products may outperform sustainable ones at times. Nevertheless, there are great amount of sustainable funds, products, equities, and indexes that exist and at times surpass the benchmark so it is just a matter of taking the time to identify the outperformers.

03.05.2018

During the morning, I made some last minute touches to my presentation and prepared my notes. I then gave the presentation to the entire DPM and Advisory team. They enjoyed the presentation very much and saw it as very thought-provoking. Later we addressed some of the issues with sustainable investing and ESG currently; for example, the fact there is no one body of standards to address ESG guidelines or ratings since there are many players and organizations emerging in sustainable finance. Overall, I am extremely grateful for the opportunity I've been given to research, work, and discover my passion for sustainable finance. I really appreciate my time with SYZ Group.

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Appendix

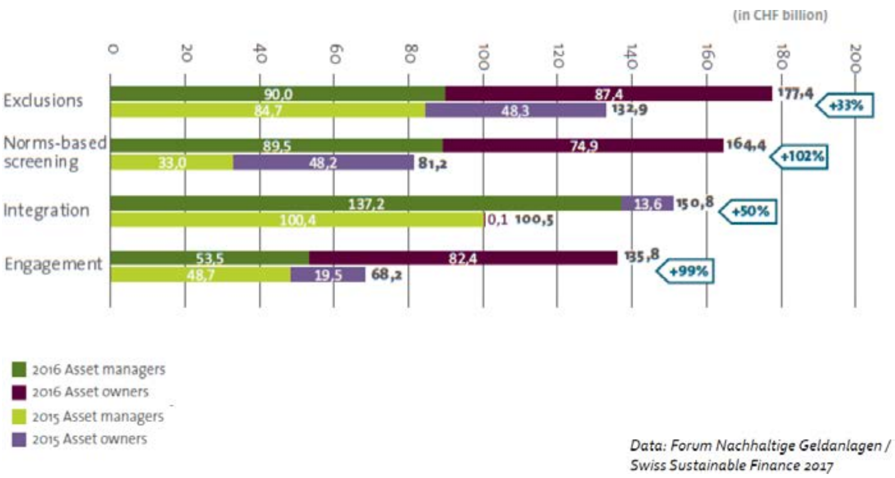

Figure 1: Leading sustainable investment strategies with high growth rates (Döbeli, 2017).

Figure 2: Performance of Solactive SDGs World MV Index (Solactive, 2018).

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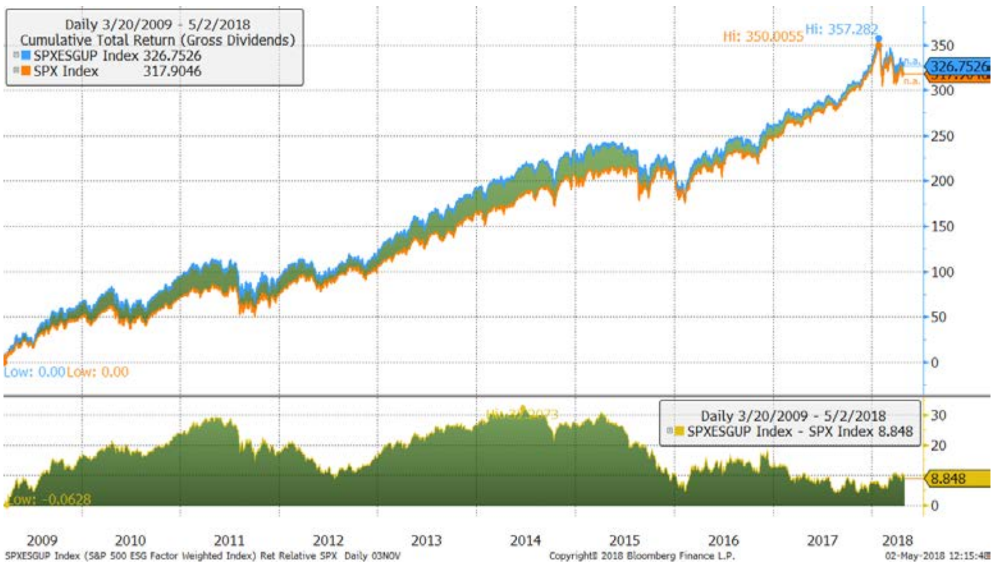

Figure 3: S&P 500 ESG Factor Weighted VS S&P 500 (Sourced from Bloomberg Terminal).